Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Required Report - public distribution

Date: 2/11/2003

GAIN Report #SF3005

South Africa, Republic of

Grain and Feed

Annual

2003

Approved by:
Richard Helm
U.S.Embassy, South Africa
Prepared by:
Herman Germishuis

Report Highlights:
Historical corn production figures have been revised significantly to account for discrepancies between output and deliveries. The crop harvested in 2002 is now estimated at about 10 million tons while the crop to be harvested in 2003 could reach 9.75 million tons. It is, however, currently suffering severe heat stress which could impact yields. Due to a shift in area planted, white corn is expected to constitute about two thirds of the upcoming crop compared to less than sixty percent of the 2002 harvest. This could lead to a white corn surplus and a shortage of yellow. An expected carry over of more than 1.5 million tons at the end of April 2003 is adding to the downward pressure on prices.
The 2002 wheat crop is estimated at 2.3 million tons compared to 2.5 million tons in 2001. Heavy wheat imports continue to arrive from low cost producers, particularly Eastern Europe.

Includes PSD changes: Yes
Includes Trade Matrix: No
Annual Report
Pretoria [SF1], SF

Executive Summary

We have revised South Africa's corn production figures significantly to account for major historical discrepancies between output and deliveries. The crop planted in 2001 is now estimated at 9.97 million tons. The forecast of the crop planted in 2002 is 9.75 million tons but it is currently suffering severe heat stress. This means that, after the corrections, the 2002 crop is not expected to reach the 2001 level in spite of an increase in area planted. About two thirds of the new crop is expected to be white corn compared to 58% for the previous crop. This could lead to a white corn surplus and a shortage of yellow corn during MY 2003/2004. Domestic prices are dropping in response to the good crop prospects and the expected high carry over at the end of April 2003. GMO white corn was planted for the first time this season and the crops will have to be kept apart as the export market is almost entirely based on GMO free corn.

The 2002/03 wheat crop is currently estimated at 2.3 million tons compared to the 2.5 million tons produced a year earlier. The decline is due to a smaller area planted and a lower yield. Local consumption runs at about 2.7 million tons per annum and imports are a part of the local supply situation. South Africa also acts as a port of entry for regional imports. Imports increased lately, reaching about 870,000 tons in CY2002 compared to 380,000 in 2001. This was mainly due to the lifting of import tariffs and cheap European wheat available in the market. Heavy imports are continuing in 2003.

www.sagis.org.za
www.grainsa.co.za
www.safex.co.za
www.fews.net
www.wfp.org
www.grains.org

CORN

PSD Table						
Country	South Africa, Republic of					

Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		05/2002		05/2003		05/2004
Area Harvested	3350	3350	3300	3350	0	3500
Beginning Stocks	490	475	990	1650	540	2150
Production	9100	9965	8000	9750	0	9800
TOTAL Mkt. Yr. Imports	800	725	750	500	0	275
Oct-Sep Imports	726	725	800	300	0	200
Oct-Sep Import U.S.	403	300	0	0	0	0
TOTAL SUPPLY	10390	11165	9740	11900	540	12225
TOTAL Mkt. Yr. Exports	1200	1200	1000	1200	0	1100
Oct-Sep Exports	1182	1190	1200	1100	0	0
Feed Dom. Consumption	4200	4000	4200	4065	0	4100
TOTAL Dom. Consumption	8200	8315	8200	8550	0	8650
Ending Stocks	990	1650	540	2150	0	2475
TOTAL DISTRIBUTION	10390	11165	9740	11900	0	12225

Production

The South African Grain Information Service (SAGIS) is a private company which collects data on behalf of the local grain industry. Over the past few seasons it became clear that the audited SAGIS corn delivery figures exceed the official crop estimates. The following table highlights the problem.

	White corn	Yellow corn	Total corn
Crop estimate, ’000 mt.	FAS 1999	PY 1999/2000	MY 2000/2001
Commercial production	6 155	3 985	10 140
Deliveries *	6 510	4 025	10 535

Difference	+355	+40	+395
Crop estimate	FAS 2000	PY 2000/2001	MY 2001/2002
Commercial production	4 110	3 115	7 225
Deliveries*	4 425	3 020	7 445
Difference	+315	-95	+220
Crop estimate	FAS 2001	PY 2001/2002	MY 2002/2003
Commercial	5 065	3 715	8 780
Delivery est .	5 400	3 850	9 250
Difference	+335	+135	+470

* Early deliveries added to the applicable marketing year.

While we were updating the data to accommodate the delivery figures, we also made further adjustments. In South Africa's dual agricultural economy, there is a crop grown on commercial farms, and production in the developing agricultural sector. By definition the crop in the developing sector implies that the grain is produced and consumed in this sector. In commercial grain production, there are also farm retentions. The "total" crop thus consists of grain delivered, plus commercial farm retention, plus the crop in the developing sector. We expect that the National Crop Estimates Committee will make similar adjustments and even corrections to area planted when the new estimates cycle starts later this month.

The following table contains a summary of our latest revised South African total corn crop estimates based on deliveries, and including commercial farm retentions and the crop in the developing sector. These data are used in the overall PS&D analysis and country food balance sheet calculations. It is, however, based on estimates and includes some subjective data. Figures are rounded.

South Africa:	Total corn production		
FAS 99, my 2000/2001	Area planted, '000ha.	Yield, mt./ha.	Production, '000 mt.
White	2482	2.79	6915
Yellow	1386	3.24	4495
Total crop	3868	2.95	11410

FAS 00, my 2001/2002			
White	1982	2.38	4715
Yellow	1241	2.76	3420
Total crop	3223	2.52	8135
FAS 01, my 2002/2003			
White	2130	2.70	5745
Yellow	1221	3.46	4220
Total crop	3350	2.97	9965
FAS 02, my 03/04 est.			
White	2425	2.59	6280
Yellow	1125	3.08	3470
Total crop	3550	2.75	9750
FAS 03 my 04/05forec.			
White	2250	2.62	5900
Yellow	1250	3.12	3900
Total crop	3500	2.80	9800

The FAS 01 crop, that is the crop planted in 2001, harvested in 2002 and which is still being marketed, was revised to 9.965 million tons, a revision that is well supported by expected deliveries of about 9.25 million tons. The difference consists of farm retentions in both the commercial (400,000 tons) and subsistence sectors (315,000 tons).

The FAS 02 crop, which is currently growing and estimated at 9.75 million tons, is however far from safe. The rainfall season started late and the bulk of the crop was probably planted about three weeks after optimal planting time. There was also a considerable area planted even later where the crop is still very young. Rainfall to date has been favorable but is has been very hot. The estimate is based on "normal" weather for the rest of the growing season and the slightly lower yield expected is mainly due to the late planting. Weather conditions, the length of the growing season or early frost can still have a major impact on the crop outcome.
Notable is the change in the white - yellow corn mix produced and its trade implications.
The FAS 03 forecast of the crop to be planted from October 2003 is based on recent trends with a correction to the white/yellow balance brought about by price movements, and expectations of 'normal' weather.

The trade, is however, more interested in the crop on commercial farms, including on farm use;

South Africa: CORN	Revised commercial production	

FAS 99, MY 2000/2001	Area ‘000 hectare	Production, ‘000 mt.
White	2003	6610
Yellow	1227	4355
Total	3230	10965
FAS 00, MY 2001/2002		
White	1596	4525
Yellow	1112	3350
Total	2708	7875
FAS 01, MY 2002/2003		
White	1722	5500
Yellow	1112	4150
Total	2833	9650
FAS 02, MY 2003/2004 Estimate		
White	2015	6040
Yellow	1010	3385
Total	3025	9425
FAS 03, MY 2004/2005 Forecast		
White	1835	5700
Yellow	1115	3800
Total	2950	9500

Consumption

While the "total" production and consumption figures are important the trade is more interested in the actual physical quantities delivered to the silos which can then be traded.
A PS&D table based on actual deliveries to the silos and its distribution can be compiled.

	FAS 2001	May 2002 to	April 2003	FAS 2002	May 2003 to	April 2004
B/Stocks*	255	220	475	1080	570	1650
Production	(5745)	(4220)	(9965)	(6280)	(3470)	(9750)
Deliveries	5400	3850	9250	5945	3055	9000
Imports	275	450	725	0	500	500
Supply	5930	4520	10450	7025	4125	11150
Exports	850	350	1200	950	250	1200
Domestic use	4000	3600	7600	4150	3650	7800
E/Stocks	1080	570	1650	1925	225	2150

* Corrected to correspond with the production season.

It is clear from the table that South Africa is currently well supplied with corn and that the situation will improve if the 2002 crop is good. Ending stocks at the end of April 2003 are estimated at 1.65 million tons and could increase to more than 2 million tons at the end of the next season in April 2004.

The main points in the MY2002/03 figures include a nearly 5% slowdown in domestic disappearance from May to December 2003 compared to the previous season, most likely as a result of high domestic prices. As a result of the favorable crop conditions and the estimated 1.6 million ton carry over at the end of April 2003, the 2003 futures prices for white corn are dropping. Between December 4 and February 5 the March price for white corn has dropped by a third from R1908/ton to R1275/ton. Due to the tighter yellow corn situation the prices are holding better. Another factor affecting prices is the volatility in the Rand - Dollar exchange rate. The following table contains recent price movements.

Per metric ton	March 2003	May 2003	July 2003
November 1, 2002	$1= R10		

White corn	R1872 $187.20	R1847 $184.70	R1786 $178.60
Yellow	R1473 $147.30	R1523 $152.30	R1538 $153.80
December 4, 2002	$1= R9.25		
White corn	R1908 $206.27	R1930 $208.65	R1958 $211.67
Yellow	R1364 $147.75	R1405 $151.90	R1443 $156.00
January 2, 2003	$1= R8.55		
White corn	R1768 $206.78	R1733 $202.69	R1681 $196.61
Yellow	R1335 $156.14	R1359 $158.95	R1351 $158.01
February 5, 2003	$1= R8.30		
White	R1275 $153.61	R1296 $156.14	R1334 $160.72
Yellow	R1185 $142.77	R1185 $142.77	R1196 $144.10

Trade

Imports

From April to October 2002 South Africa imported 321,000 tons of GMO free (less than one percent) white corn from the US. Except for 47,000 tons arriving in April, the rest arrived during the current MY 02/03 marketing year, but no further white corn imports are expected in the foreseeable future.

South Africa still insists on a listing of GMO events in corn imported with only locally registered events allowed. From May to December 2002, 240,000 tons of GMO free, or GMO listed, yellow corn was imported mainly from China and Argentina. These imports are continuing in spite of the drop in domestic prices with 79,000 tons apparently arriving in January 2003. Due to the switch from white to yellow corn planted this season, yellow corn imports are expected to continue through the 03/04 marketing season. If the white corn price drops further some white corn may be used as feed this coming season lessening import needs.

The following table contains monthly import trade figures:

CORN IMPORTS	White corn ’000 mt.	Yellow corn ’000 mt.	Total corn ’000 mt.
Jan 02	0	67	67

Feb. 02	0	78	78
March 02	0	106	106
April 02	47	97	144
MY May/April 01/02	47	348	395
MY May/April 02/03			
May 02	48	47	95
June 02	76	7	83
July 02	44	26	70
August 02	30	0	30
September 02	53	0	53
MY Oct./Sept. 01/02	298	428	726
October 02	23	53	76
November 02	0	52	52
December 02	0	55	55
CY 2002	321	589	910

Exports;

Overland sales into the drought stricken Southern African region, including the SACU members, plus Malawi, Zambia and Zimbabwe increased this season compared to previous years. Sales consisted mainly of GMO free corn , including sales to the aid agencies which had to procure corn locally after GMO corn donations were rejected (in Zambia) and delayed (in Zimbabwe). In the process, overseas GMO free sales of previous seasons were lost due to the high prices. The South African government promised assistance to its neighbors in November 2002 and it is now financing the World Food Program to buy 100,000 tons of South African corn, presumably white and GMO free. This donation is included in the export sales for the season which is now expected to reach 1.2 million tons. The improved supply situation and the consequent drop in prices made the donation possible without having a major disrupting effect on the market.

GMO white corn was planted for the first time this season and with some GMO yellow corn already grown, keeping the crops separate will become more difficult. The industry is, however, able to supply certified GMO free corn to the market.

The following tables contains summarized export figures:

CORN EXPORTS	White corn ’000 mt.	Yellow corn ’000 mt.	Total corn ’000 mt.
MY May/April 00/01	810	615	1425

MY May/April 01/02	760	521	1281
Overland	671	81	752
Overseas	89	440	529
MY May 02/April 03 Est	850	350	1200
Overland	840	320	1160
Overseas	10	30	40

The following tables contains monthly export figures:

CORN EXPORTS	White corn '000 mt.	Yellow corn '000 mt.	Total corn '000 mt.
May 02, overland	71	20	91
June 02, overland	69	19	88
Overseas	0	26	26
Total	69	45	114
July 02, overland	37	23	60
Overseas	5	4	9
Total	42	27	69
August 02, overland	40	22	62
Overseas	2	0	2
Total	42	22	64
Sept. 02 , overland	49	26	75
MY Oct/Sept. 01/02	800	390	1190
Oct. 02, overland	61	40	101
Nov. 02, overland	45	37	82
Dec. 02, overland	42	21	63

Preliminary calendar year exports compare as follows with the 2001 sales:

'000 mt.	White corn	Yellow corn	Total corn
CY 2001	600	743	1343

CY 2002 Overland	784	249	1033
Overseas	13	79	92
Total	797	325	1125

WHEAT

PSD Table						
Country	South Africa, Republic of					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003

	Old	New	Old	New	Old	New
Market Year Begin		10/2001		10/2002		10/2003
Area Harvested	959	959	941	941	0	950
Beginning Stocks	487	571	587	588	567	458
Production	2490	2493	2280	2320	0	2400
TOTAL Mkt. Yr. Imports	560	563	600	500	0	532
Jul-Jun Imports	560	500	600	370	0	400
Jul-Jun Import U.S.	0	20	0	25	0	40
TOTAL SUPPLY	3537	3627	3467	3408	567	3390
TOTAL Mkt. Yr. Exports	250	245	250	250	0	250
Jul-Jun Exports	250	270	250	300	0	250
Feed Dom. Consumption	10	100	10	50	0	50
TOTAL Dom. Consumption	2700	2794	2650	2700	0	2750
Ending Stocks	587	588	567	458	0	390
TOTAL DISTRIBUTION	3537	3627	3467	3408	0	3390

Production

The sixth official production estimate increased the 2002 wheat crop by about 40,000 tons to 2.32 million tons. The area planted remained unchanged at 941,100 hectares and the yield thus amounts to 2.47 mt./ha.. About 85% of the area planted is rain fed and 15% irrigated. The 2001 wheat crop was grown on 959,400 hectares and produced 2,492, 880 tons at 2.60 mt./ha. The forecast for the 2003 crop to be planted later this year is for 2.4 million tons produced on 950,000 hectares but this will very much depend on the rainfall over the next few months.

Consumption

Commercial consumption since the start of the marketing season in October 2002 up to the end of December is marginally higher than in the corresponding period in 2001 but this is not significant as small variations do occur over time. Total consumption as shown in the PS&D is influenced by the amount of feed wheat in the crop while commercial milling shows only slow growth.

Trade:

South Africa act as a conduit for trade in the Southern African region including its Customs Union partners as well as other landlocked states including Zambia, Zimbabwe and Malawi. The following table highlights trade patterns in the region.

Wheat		Imports			Exports	
’000 mt.	For South Africa	For others*	Total	S. African wheat	Re-exports	Total

MYJuly/June 00/01	328	211	539	25	180	205
MY Oct/Sept 00/01	190	192	382	36	179	215
CY 01	190	192	382	36	179	215
MYJuly/June 01/02	310	190	500	60	210	270
MY Oct/Sept 01/02	407	156	563	74	171	245
CY 02.	676	193	869	69	200	269

* Botswana, Lesotho, Namibia, Swaziland, Malawi, Zambia, Zimbabwe etc.

The outstanding feature of the table is the preliminary figure of nearly 870,000 tons imported in CY 2002 of which 676,000 tons were destined for South Africa and 193,000 tons for regional markets. In CY 2001 imports only amounted to 382,000 tons. From October to December 2002 imports amounted 343,000 tons compared to 38,000 tons over the same period in 2001. There are two main reasons for the increase, wheat import tariffs has been removed and cheap Eastern European wheat became available in the international market. Traditionally South Africa imported high quality wheat to improve the protein and baking qualities of the crop but the quality of the local crop has apparently increased to such an extend that lower quality imports can be used. Rumor has it that another 170,000 tons are on its way over the next few months.

The big imports are having a negative effect on domestic producer prices. The February 10 SAFEX wheat futures prices were: US Dollar = R8.50

February 2003;	R1430/ton	$168/ton
March	R1445/ton	$170/ton
May	R1495/ton	$176/ton
July	R1550/ton	$182/ton
September	R1625/ton	$191/ton

A price comparison between local and imported wheat shows that it is no longer profitable to import Argentinian or Hard Red Winter wheat. Some European wheat is, however, still cheaper than local wheat.